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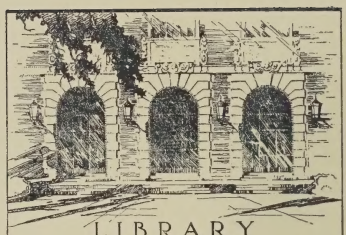
COMMITTEE ON AMERICA SELF-CONTAINED--NEW YORK

MEMORANDUM ON AMERICA SELF-CONTAINED NEW YORK 1934



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MEMORANDUM
ON
AMERICA SELF-CONTAINED

Submitted by
COMMITTEE FOR AMERICA SELF-CONTAINED
57 William Street
New York, N. Y.

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This memorandum is submitted to the American people for consideration and action, in order to achieve economic self-containment and to assure future prosperity. It is largely inspired by Samuel Crowther's "America Self-Contained."

Persons who wish to use material on self-containment for study groups, discussions in clubs, preparation of speeches, or who wish to cooperate in the advancement of the plan in their community are invited to address the Secretary, Committee for America Self-Contained, 57 William Street, New York, N. Y.

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AMERICA SELF-CONTAINED

AMERICA AT THE CROSSROADS

The United States is passing through a crucial period of its history. Our country stands at the crossroads of its economic destiny. Upon the wisdom of the choice we make, depend the happiness and welfare, not only of the present generation, but of generations to come. An unbiased survey of trends in international trade, of our sad experiences in promoting foreign trade through gigantic loans, and of our own plentiful resources, points imperatively to the road which we must follow in order to make our nation once again vigorous, sound and prosperous.

That road leads to "American self-containment." But what does American self-containment mean? It means that we grow, mine, manufacture, or produce chemically, as far as possible, everything essential from our own resources. It means an America freed of foreign entanglements. It means an America dedicated to Americans.

The best approach to the subject is offered in the words of one of the greatest Americans:

"Against the insidious wiles of foreign influence . . . , the jealousy of a free people ought to be constantly awake, since history and experience prove that foreign influence is one of the most baneful foes of republican government . . .

"Europe has a set of primary interests, which to us have none, or a very remote relation . . .

"Why, by interweaving our destiny with that of any part of Europe, entangle our peace and prosperity in the toils of European ambition, rivalship, interest, humor or caprice?"

These words are from George Washington's Farewell Address to the nation. They were spoken, it is true, under different conditions than those under which we live today. Nevertheless, they seem prophetic. It appears almost as if in a vision, this great soldier-statesman saw the

future of the nation which he had fathered in battle and in peace. Other great leaders, Thomas Jefferson, Andrew Jackson, Abraham Lincoln, repeated his counsel.

We have ignored this counsel and we are paying dearly for it now.

But it is still not too late to turn back into the right path. Fortunately, we are not without help. A group of distinguished Americans who have seen the grave dangers besetting America today, are determined to set us back in the path down which George Washington pointed in his last prophetic message to the American people. Under the chairmanship of Mr. James W. Gerard, they have organized the Committee for America Self-Contained, inspired largely by Samuel Crowther's recent book, "America Self-Contained," to arouse public opinion to the needs and benefits of self-containment, and to bring it about through organized planning.

We can better understand our present problems if we see their relation to the past. Few Americans realize that our self-containment movement is only part of a world-wide movement in that direction. A sketch of recent happenings will make this clear.

SCIENCE IS DESTROYING INTERNATIONAL TRADE

From Washington's day to the World War, international trade was roughly divided between industrial nations and those which exported raw material or foodstuffs. It was held to be the right of powerful nations to exploit undeveloped countries. Our own Revolution was due in part to the desire of the Colonies to develop home industries. Even in recent times before the war whenever our dyeing industry got under way, Germany crushed it by undercutting our prices.

Certain nations held a monopoly of industrial science and were able to keep the rest of the world their economic slaves.

The World War put an end to this monopoly once and for all. Many nations deprived during the war of essential imports decided not to risk such privation again. Behind tariff walls and quota systems they began to manufacture or grow them at home. With Europe's energies wasted by the war, the nations were free to start building up home industries. And they got busy with a vengeance.

Science was liberated from her cage where a few nations had imprisoned her and she will never be imprisoned again.

When industrial nations turned again to their old markets, they found them shrinking and they still find them shrinking.

British coal exports to Norway and Italy are being curtailed by the development of hydro-electric power in these countries; the saltpeter industry in Chile is being crippled by the preparation of synthetic nitrates in major countries. It was asserted in the British Parliament that the Japanese and East Indians in supplying the Orient with textiles would close every calico-printing works in Lancashire within five years. The culture of cotton in India, Egypt, Russia, and certain South American countries is bound to lessen our share of world markets.

"Wherever one turns," writes Samuel Crowther, "the former products of international trade are being home-produced, or displaced by some other natural or synthetic product."

Science is rapidly altering markets on the world's map and there is as much chance of reviving international trade in the old sense as there is of reviving the horse-buggy industry.

Perhaps there is nothing more characteristic of the age in which we live than the power which we have gained through science. But at the same time science has gained an equal power over us and unless we adapt ourselves to the resulting changes, we shall face serious consequences.

Everyone agrees that as a manufacturing nation the United States is a leader. Unquestionably, it will remain so, unless the dangers from cheap foreign labor eat into the fabric of our industry and take away our position and prestige.

This is a real danger. The modern methods of mass production which have been originated and developed in this country have been evolved always with a view to operating without highly skilled labor or an undue amount of individual planning and preparation. Standardization, interchangeability, and repetition have been watchwords of American mass production. Speed has also been an objective of primary importance. So skillfully have these ideas been built into American machinery that even such a delicate affair as the radio tube can be built in large quantities by women with only the most rudimentary training and experience. Cigarette-making machinery, although it is in itself a

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marvel of intricacy and fine adjustments, can be operated by a boy as long as the machine itself is kept in proper working order.

Putting such machinery into the hands of foreigners, as we have done extensively since the war, without giving American workmen proper protection, spells competition that can be met only by a lowering of wages and a breaking down of the high standard of living which obtains in the United States, and only in the United States.

This is a real danger which surrounds us. It threatens every American citizen personally and immediately.

Weigh these words well. It is time for us to sit up and see what is taking place around us. Instead of clamoring for what should be done to preserve the status quo, our job is to adjust our economy as painlessly as possible to the changing situation.

SELF-CONTAINMENT FAVORS WORLD CULTURAL EXCHANGES AND PEACE

This movement towards self-containment is not prompted by selfish motives. It is a matter of good housekeeping and self-preservation. It was simply in the path of civilization. It was written in history's pages when the first machine supplanted hand labor. It is not in opposition to the trends of the times; rather, it is in step with them. Any movement, which will improve the lot of over 120,000,000 people, must of itself, be good, and bring in its wake, good to the rest of the world.

Nor does self-containment imply cultural or spiritual isolation. On the contrary! It is obvious that whatever promotes friendly and sound commercial and political relations, cultivates good-will between races, and favors a freer flow back and forth of their cultural and spiritual heritages. It is equally obvious that whatever provokes friction in trade and political relations, sets peoples against each other and chills cultural relations. And self-containment, by a clear-cut, unequivocal statement of our trade position, of our refusal to engage in entangling foreign relations, minimizes the possibilities of international friction, and thus fosters the exchange of cultural relations and makes for peace between nations.

And after all the foods, doctors, nurses, medicines and moneys we have rushed to stricken peoples of the earth, let any person or nation dare to call us selfish, when we pursue our economic destiny as we see fit!

AMERICA'S COSTLY EXPERIENCES IN INTERNATIONAL FINANCE AND TRADE

What have we received besides the scornful reproach of "Shylock!" for all of our international meddling and money lending?

There is nothing more eloquent than simple facts and figures.

The ease with which the Federal Reserve Banks created credit during the war gave us the delusion of limitless wealth, whereas in actuality, our real wealth, measured in production, increased at about the average rate. Yet, we thought we had credit to toss around.

Intoxicated by the profits of 1919 we set out to capture the trade of the world. We lent huge sums exceeding a billion a year from 1925-1928 to pay for our own exports. This was a purely artificial stimulation, for it is obvious that export trade cannot be maintained indefinitely on unpaid loans; but the idea developed, and still persists in many quarters, that American prosperity depends on a brisk export trade. Yet in these years our exports did not increase in proportion with money advanced. In fact, they rarely exceeded the general average of 8% of our national production, and were less than in some years of our history when we were not considered an exporting nation.

In our feverish desire to lend money we found every nation's credit position perfectly sound, even that of certain bankrupt South American countries. If a country had previously defaulted it was logically proven that that was because insufficient sums had been lent, and that the advance of fresh funds would set all matters right again.

Our war loans, even after drastic reductions, amount to some twenty-one billions, including principal and interest to the end of the period of payment. And the Department of Commerce estimated our long-term private lendings by the end of 1932 at fifteen billions.

Had we kept bookkeeping accounts of these transactions, we might have asked ourselves if our debtors had the capacity to pay these thirty-six billions—and if they were to be repaid in goods, how this could be done without destroying certain home industries, creating unemployment, throwing our economic machine out of balance and lowering our standard of living.

But we kept no accounts. The public was ignorant of what our bankers were doing.

Let us see what happened. The proceeds of our foreign loans created foreign exchange which permitted the flight of capital from Europe in the form of long-term investments here and demand deposits. The total demand deposits and other claims on gold held by foreigners here amounted to three billions in 1929.

We gave to foreigners the right to claim and ship overseas practically the entire gold stock of the United States, and in a measure, the control of our domestic economy. Our recent gold troubles are directly traceable to the exchange created by foreign loans.

Samuel Crowther writes in this connection: "We loaned money ostensibly for productive purposes. Then we permitted our debtors to divert that money to the buying of our assets. Then we permitted these debtors to default on their obligations to us while still holding on to our assets. The perversity of our genius as international bankers will never be surpassed."

But that is not all. Through our foreign entanglements we exposed our economic life to accidental or wilful foreign fluctuations. In this connection, Henry Bérenger, former French Ambassador to the United States, observed: "For seven years American bankers have been engaged in entangling the United States with Europe. The network of steel and gold that America has cast upon Europe has become so powerful that it has become jammed of its own weight. A crash in Berlin is immediately felt in Washington, and every panic in Frankfort causes trembling in Wall Street. And when . . . the crisis extends to London, the United States is so entangled that it is in danger of being strangled."

The net result is that if our debtors pay in goods we shall have to lower our tariffs, which will kill certain home industries and create unemployment. The more we export, the more we must import; and every product we import which America can produce, deprives our labor of so much work.

The removal of protection from six important American industries would throw out of jobs 275,837 employees who earned $315,000,000 in 1927.

On the other hand, if our debtors default, or debts are cancelled, Americans will have to meet these obligations in some form or other. For it is the public in the end who pays.

It is a toss-up, in the opinion of Mr. Crowther, whether we shall emerge from this lending orgy as a debtor or creditor nation.

Such is the situation which confronts us. But let us profit from our costly lessons and—it cannot be said too often—place our international dealings on a sound bookkeeping basis.

LOOKING AT OURSELVES

Turning now to our own country, what do we find? We find within our nearly three million square miles almost every essential we can ever need. Half the business of the earth is conducted within our borders. The most efficient economic machine the world has ever known is at our command.

We have every ingredient needed for self-containment but coffee, tea, silk, tin, and items of less importance, and for the time being, rubber and sugar. Our chemists are evolving a synthetic rubber which promises to perform all the functions of the natural product. Our sugar industry is developing. We have attained, or are attaining, self-sufficiency in nitrates, potash, rayon, camphor, chemicals and dyes and many other products.

FOREIGN TRADE MUST BE PUT ON A BOOKKEEPING BASIS

The Committee for America Self-Contained does not propose that imports and exports should be completely eliminated. Nor does it propose that we inconvenience ourselves by striving too rapidly for self-containment. It is proposed that we import only commodities which at present we cannot or that it does not pay us to manufacture or grow, or that our chemistry cannot produce. It is proposed that we buy from nations who buy from us, and in that connection, that dealings with every nation be perfectly balanced on a bookkeeping basis, passing through and controlled by the Federal Reserve Banks. Also it is proposed that we reserve for American labor the manufacture of our raw materials.

Under such a policy our imports would amount to one and one-half billion dollars annually against nearly four billions, taking the 1922-1926 averages.

America is in a position today enjoyed by no other nation in world history. By our isolated geographical position, by the wealth and variety of our resources, by our skill and machinery, our interests are, as Washington said, different from those of other nations.

The fact cannot be over-emphasized, however, that many old markets are simply not to be had. It is not a question of what we want but what the universal self-containment movement will leave us.

Some adjustments in our agriculture and industry have already been made. Further ones will be forced upon us.

FARMER A KEY MAN IN SITUATION TODAY

Let us examine our situation. Our present troubles are due largely to the fact that the buying power of agriculture is below that of industry. In recent years, the incomes of 8,500,000 agriculturists have not kept up with those of industrial workers. From 1919 to 1927 the farmer's income dropped from $1,976 to $1,387, while the wage worker's rose from $1,029 to $1,205, and the salaried employee's increased from $1,453 to $2,084. In 1930, the bottom dropped out of the market; wheat dropped fifty percent; cotton, over sixty-five percent. In 1932, the farmer made approximately $600; just barely enough to buy the necessities of life. So what happened—simply this, 8,500,000 farmers bought far less of industrial products, and millions of factory and other workers lost their jobs. One reason why farm prices are down is because they are world prices—that is, they do not benefit from protection.

The Committee for America Self-Contained believes the farmer to be a key man in the situation today. If he is helped, buying power of the nation is restored. A simple plan of helping him is suggested by Mr. Crowther:

"Make the import of all agricultural commodities (wheat, cotton, etc.) that come into competition with our own products discretionary with the Secretary of Agriculture, the discretion being given so that, in the case of a crop failure, the consuming public would not suffer. The Secretary would, for each commodity, then set a domestic quota. For instance, if the records showed that 80% of a crop were consumed at home and 20% exported, the Secretary would set that quota before the planting season. Then he would fix a minimum price for domestic sales of that commodity—this price being roughly the world price plus the tariff. The export surplus would go out at world prices and would not be of great consequence, for, if the American farmer could get the benefit of the tariff for his domestic sales, he would not have to bother about the price the surplus brought. It would be velvet."

Admittedly, for the time being at least, the farmer of this country must be permitted to sell his surplus elsewhere. The America Self-Contained movement does not aim to stop such legitimate outlets as are at present necessary for cotton, tobacco and other farm products, but will do everything within its power to make them more profitable. But primarily, American self-containment will assure the farmer, a firm, well-paying market for the bulk of his produce.

SELF-CONTAINMENT SPELLS PROSPERITY FOR AMERICA

Let us see what kind of a nation we shall have after necessary adjustments have been made. Can we not be a healthier, happier, more prosperous people than we have ever been before?

Is it logical that with practically all markets within our borders we can realize a greater per-capita wealth than under the old system of markets spread over the globe? Consider the transportation and many other wealth consuming charges that would be eliminated.

Once we have restored a balance between the incomes of farmers and industrial workers, which can and must be done, once our labor is protected against cheap foreign labor, once our foreign trade is on a strict bookkeeping basis, we could achieve economic self-sufficiency and plentifully distribute our great wealth among ourselves. Farm and factory could exchange one another's maximum production.

The average income per-capita of the whole world, including the United States, was $153 in 1929. For the United States, it was $657. In 1930, the average *retail sales* per-capita in the United States were $407, which is larger than the average net *income* of any people except the Canadians.

"From a purely practical sales standpoint," writes Mr. Crowther, "the possibility of making sales in the United States so transcends the possibilities of other markets that dwelling upon the absolute necessity of foreign sales in order to have prosperity is quite absurd."

Our goal, American self-containment, is attainable. It is squarely up to us to go toward it through organized, intelligent planning.

Your future and the future of your dependents is bound up with America's fate.

POINTS TO REMEMBER

1. Science is destroying international trade. As a result, self-containment is being forced on us.

2. Foreign entanglements are dangerous. They subject our industries and our workers to the influence of foreign fluctuations. They threaten our standard of living. They threaten to draw us into another conflict in Europe —a conflict which does not seem too far-fetched.

3. American prosperity does not depend upon foreign trade. Our exports rarely exceed 8% of national production.

The more we export, the more we must import in order to let foreigners pay us in goods. Every article imported that we can grow or make, deprives American labor of so much work.

4. The buying power of the farmer must be restored to achieve a balance between agriculture and industry, essential to the nation's prosperity. This buying power, however, cannot be restored unless the farmer is properly protected and our foreign trade is put on a bookkeeping basis. The American self-containment program aims to do both.

5. Within our nearly three million square miles, we possess materials, skill and machinery to make America fully self-contained. We can achieve economic freedom. We can control our destiny. We can run America first and foremost for Americans. We can realize the dream of our country's founder.

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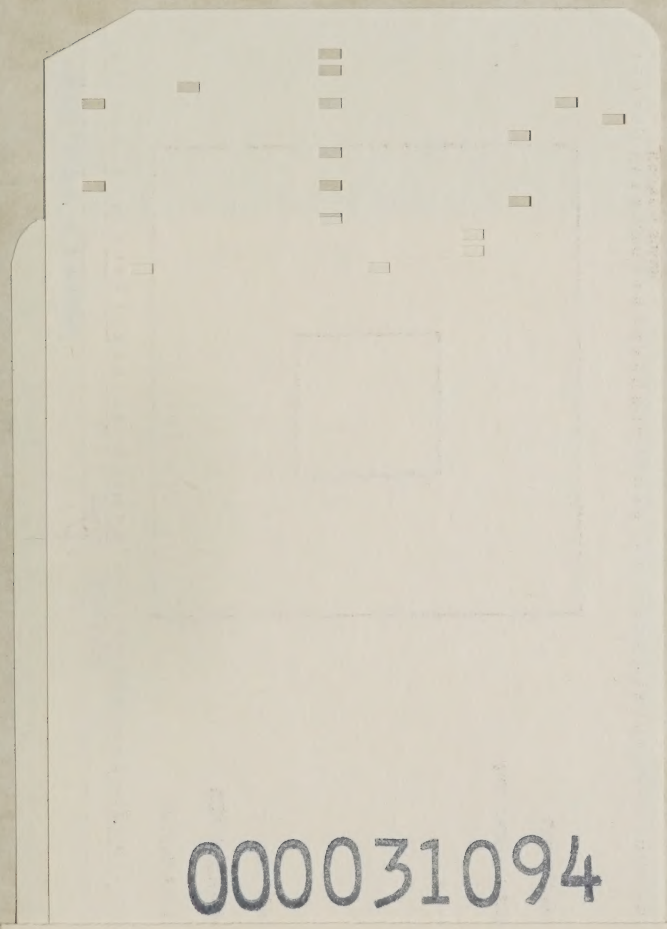

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